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# REPORT TO THE CONGRESS

## Examination Of Financial Statements Of The Accountability' Of The Treasurer Of The United States Fiscal Years '1968 And 1969

B-114802

Department of the Treasury

BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES

**092541**

~~7/5/70~~

JULY 27, 1970



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON D C 20548

B- 114802

To the President of the Senate and the  
Speaker of the House of Representatives

This is our report on examination of financial statements of the accountability of the Treasurer of the United States, Department of the Treasury, for fiscal years 1968 and 1969. Our examination was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Copies of this report are also being sent to the Director, Office of Management and Budget, and to the Secretary of the Treasury.

A handwritten signature in black ink, reading "James B. Stacks". The signature is written in a cursive style with a large initial "J".

Comptroller General  
of the United States

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D I G E S T

WHY THE EXAMINATION WAS MADE

The examination was made because of the substantial amount of funds and other assets for which the Treasurer was accountable--about \$70 billion at June 30, 1968 and 1969--and to discharge the responsibility of the General Accounting Office (GAO) for the settlement of the Treasurer's accounts.

FINDINGS AND CONCLUSIONS

At June 30, 1968 and 1969, the Treasurer's total accountability amounted to about \$69.8 billion and about \$69.6 billion, respectively. These amounts consisted of gold, the general account balance less the gold balance in the general account, securities held for safekeeping, foreign currencies, and reserve stock of unissued currency.

In fiscal year 1968, the Treasurer's gold assets declined about \$2.7 billion to about \$10.4 billion.

A Treasury official informed GAO that a major cause of this decline was pressure placed on the international monetary system after the devaluation of the British pound sterling on November 18, 1967, and the subsequent heavy speculative activity in the gold and foreign exchange markets.

The April 30, 1970, Daily Statement of the United States Treasury shows that the Treasurer's gold assets have increased to about \$11.4 billion.

The individual account balances in the general account of the Treasurer are presented on a clearance basis, that is, the balances are based primarily on the recording of documents evidencing financial transactions affecting the account of the Treasurer in accordance with the latest information available in the Office of the Treasurer as of June 30, 1968 and 1969.

In GAO's opinion, except for the reporting of individual account balances of the Treasurer's general account on a clearance basis, rather than on a final basis (including transactions in transit), the financial statements present fairly the accountability of the Treasurer of the United States at June 30, 1968 and 1969, in conformity with principles and standards of accounting prescribed by the Comptroller General of the United States, applied on a basis consistent with that of the preceding 2 years except for a

change in reporting which GAO believes is an improvement over that of prior years.

As in prior years, the individual account balances in the general account of the Treasurer are presented on a clearance basis; however, the 1968 and 1969 general account balances have been adjusted for net transactions in transit at June 30, 1968 and 1969, to show the account on a final basis.

RECOMMENDATIONS OR SUGGESTIONS

None.

AGENCY ACTIONS AND UNRESOLVED ISSUES

GAO believes that the individual account balances in the Treasurer's general account should be shown on a final basis rather than on a clearance basis.

The Fiscal Assistant Secretary, Department of the Treasury, informed GAO that the individual account balances were shown on a clearance basis so they would agree with figures published previously in the Daily Statements of the United States Treasury. He stated, however, that a major revision of the Daily Statement was being considered and that a feature of the proposed revision would be a final basis statement for June 30 each year. He stated also that, when this is done, the individual account balances of the Treasurer's general account can be shown on a final basis.

MATTERS FOR CONSIDERATION BY THE CONGRESS

GAO is sending this report to the Congress to show the results of GAO's biannual examination of the financial statements of the accountability of the Office of the Treasurer.

## INTRODUCTION

We examined the accompanying financial statements of the accountability of the Treasurer of the United States at June 30, 1968 and 1969, for the safekeeping of public funds and other assets for which the Treasurer has custodial responsibility. The scope of our examination is described on page 7 of this report.

The Office of the Treasurer of the United States, a bureau in the Department of the Treasury, acts as the banking facility for most of the Government's activities and makes extensive use of the facilities of the Bureau of the Mint, the Federal Reserve banks and branches, and private banking institutions.

Management of the Office of the Treasurer is vested in the Treasurer. On May 8, 1969, Mrs. Dorothy Andrews Elston was sworn in as the successor to the former Treasurer, Mrs. Kathryn O'Hay Granahan, who resigned on November 20, 1966. During the interim period Mr. William T. Howell, Deputy Treasurer, served as Acting Treasurer.

## TREASURER'S ACCOUNTABILITY

At June 30, 1968 and 1969, the Treasurer's accountability amounted to about \$69.8 billion and \$69.6 billion, respectively. These amounts consisted of:

	<u>June 30, 1968</u>	<u>June 30, 1969</u>
	----- (000,000 omitted) -----	
Gold	\$10,367	\$10,367
General account balance	\$6,784	\$7,544
Less gold balance in general account	<u>111</u> 6,673	<u>111</u> 7,433
Foreign currencies based on market rates of ex- change	2	2
Securities held for safe- keeping	50,142	49,134
Unissued paper currency	<u>2,621</u>	<u>2,631</u>
Total Treasurer's accountability	<u>\$69,805</u>	<u>\$69,567</u>

In fiscal year 1968, the Treasurer's gold assets declined about \$2.7 billion to about \$10.4 billion. We were informed by a Treasury official that a major cause of this decline was pressure placed on the international monetary system after the devaluation of the British pound sterling on November 18, 1967, and the subsequent heavy speculative activity in the gold and foreign exchange markets. Large amounts of gold were purchased in London by foreign holders of dollars and other currencies. Since gold from new production was not enough to fill orders, the demand was being met in large part from the gold reserves of the active members of the Gold Pool (Belgium, Germany, Italy, Netherlands, United Kingdom, and the United States). The Daily Statement of the United States Treasury shows that as of April 30, 1970, the Treasurer's gold assets have increased to about \$11.4 billion.

At June 30, 1968, the assets in the general account of the Treasurer, as shown in schedule 1, were about \$6.8 billion. In fiscal year 1969 the assets increased about \$760 million to about \$7.5 billion. The assets in the general account consisted primarily of demand deposits (Treasury tax and loan accounts) in commercial banks and of deposits in Federal Reserve banks. At June 30, 1968 and 1969, the balances in the Treasury tax and loan accounts were about \$4.1 billion and \$4.5 billion, respectively. Deposits in Federal Reserve banks at June 30, 1968 and 1969, amounted to about \$1.4 billion and \$1.6 billion, respectively.

During fiscal years 1968 and 1969, the inventory of fractional coin in the general account declined by \$312.8 million and \$228.4 million, respectively. A Department of the Treasury official informed us that during this period the Treasury was replacing silver coins in circulation with the new clad coins--authorized by the Coinage Act of 1965 (79 Stat. 254)--that had previously been stockpiled, which was the major cause of the decline. The silver coins were then melted into silver bars.

The individual account balances included in the general account of the Treasurer, as shown in schedule 1, are presented on a clearance basis, that is, the balances are based primarily on the recording of documents evidencing financial transactions affecting the account of the Treasurer of the

United States in accordance with the latest information available in the Office of the Treasurer as of June 30, 1968 and 1969. The individual account balances included in the general account of the Treasurer do not include deposit and withdrawal transactions in net amounts of \$90,630,716.99 and \$440,870,370.04 which were in transit at June 30, 1968 and 1969, respectively.

The net amounts of transactions in transit as of June 30, 1968, and June 30, 1969, are shown as adjustments to the total assets, clearance basis in schedule 1--a change in reporting from prior years--which results in the general account balance being shown on a final basis. We believe that this reporting change is an improvement over reporting in prior years. We believe, however, that the individual account balances included in the general account of the Treasurer should also be shown on a final basis.

In a letter dated May 14, 1970, the Fiscal Assistant Secretary, Department of the Treasury, informed us that heretofore shedule 1 had shown individual account balances on the clearance basis so that they would agree with figures published previously in the Daily Statements of the United States Treasury which are released on the third business day of July. He stated that:

"A major revision of the Daily Treasury Statement is presently being considered. A feature of the proposed revision will be the publication of a 'final basis' Statement for June 30 each year, to be released some four or five months after the close of the fiscal year. When this is done, schedule 1 can also be prepared to show individual account balances on the 'final basis.'"

Schedule 2 shows the amount, type, and location of foreign currencies held for the account of the Treasurer at June 30, 1968 and 1969. The approximate dollar value of these foreign currencies at the market rates of exchange was \$2.1 million at June 30, 1968, and at June 30, 1969. These foreign currencies were acquired under the Informational Media Guaranty Program administered by the United States Information Agency. Since most foreign currencies

owned by the United States are deposited in the names of other accountable officers of the Government, the amount held for the Treasurer is only a small part of the total value of foreign currencies owned by the Government.

Schedule 3 shows that the Treasurer held securities totaling about \$49.1 billion at June 30, 1969. Of this amount, about \$12 billion represents amount due from foreign governments for indebtedness arising from World War I, and \$34.6 billion represents securities held for the Secretary of the Treasury. Of the securities held for the Secretary, about \$29.2 billion represents capital stock and obligations of Government corporations and agencies.

## SCOPE OF EXAMINATION

Our examination of the custodianship functions of the Treasurer for fiscal years 1968 and 1969, consisted principally of an examination on a test basis of records and financial transactions pertaining to the accountability of the Treasurer. Our work included observations of cash and security counts, confirmations of depositary balances, and other auditing procedures that we considered appropriate in the circumstances. The examination was performed principally in Washington, D.C.

Substantially all the gold and silver bullion shown in schedule 1 was held at Bureau of the Mint installations. We did not verify the existence of the bullion beyond observing, at selected locations, the work of Bureau of the Mint inspection committees. These committees take physical inventories of the monetary assets held; however, the committees accept the value of bullion held in sealed vaults, many of which have not been opened for years, as stated on joint seals verified by previous committees.

## OPINION OF FINANCIAL STATEMENTS

The financial statements (schedules 1, 2, and 3) were prepared by the Office of the Treasurer of the United States.

In our opinion, except for the reporting of individual account balances of the Treasurer's general account on a clearance basis (excluding transactions in transit), rather than on a final basis (including transactions in transit), the accompanying financial statements (schedules 1, 2, and 3) present fairly the accountability of the Treasurer of the United States at June 30, 1968 and 1969, in conformity with principles and standards of accounting prescribed by the Comptroller General of the United States, applied on a basis consistent with that of the preceding 2 years except for a change in reporting which we believe is an improvement over that of prior years. As in prior years, the individual account balances included in the general account of the Treasurer (schedule 1) are presented on a clearance basis; however, the 1968 and 1969 general account balances have been adjusted for net transactions in transit at June 30, 1968 and 1969, to show the account on a final basis.

The statement of principles and standards of the accounting system for the public moneys in the Office of the Treasurer was formally submitted to the Comptroller General for review and approval on February 27, 1970.

FINANCIAL STATEMENTS

SCHEDULE 1

ACCOUNT OF THE TREASURER OF THE UNITED STATES

ASSETS AND LIABILITIES IN THE ACCOUNT

AT JUNE 30, 1968 AND 1969 [See GAO note A.]

<u>GOLD</u>	<u>June 30, 1968</u>	<u>June 30, 1969</u>	<u>Increase or decrease(-)</u>
<b>ASSETS</b>			
Gold	<u>\$10,366,918,813.50</u>	<u>\$10,366,988,410.89</u>	<u>\$ 69,597.39</u>
<b>LIABILITIES</b> [See GAO note B ]			
Gold certificates, Series of 1934, outstanding	\$ 1,277,800.00	\$ 1,277,800.00	\$ -
Gold certificate fund--Board of Governors, Federal Reserve System	10,024,361,603.57	10,026,113,823.84	1,752,220.27
International Monetary Fund gold deposit	229,992,817.33	227,992,964.51	-1,999,852.82
Gold balance	<u>111,286,592.60</u>	<u>111,603,822.54</u>	<u>317,229.94</u>
Total	<u>\$10,366,918,813.50</u>	<u>\$10,366,988,410.89</u>	<u>\$ 69,597.39</u>
<u>GENERAL ACCOUNT</u>			
<b>ASSETS</b>			
In Treasury offices			
Gold balance (as above)	\$ 111,286,592.60	\$ 111,603,822.54	\$ 317,229.94
Silver dollars	3,015,476.00	3,017,624.00	2,148.00
Fractional coin	368,457,717.12	140,012,611.12	-228,445,106.00
Paper currency	181,370,610.00	177,275,394.00	-4,095,216.00
Coinage metal			
Silver [See GAO note C ]	85,300,158.84	112,880,810.96	27,580,652.12
Other [See GAO note D ]	129,575,486.54	120,157,978.48	-9,417,508.06
Unclassified collections, uncollected items, exchanges, etc (net)	<u>86,100,773.74</u>	<u>104,349,400.87</u>	<u>18,248,627.13</u>
Subtotal	<u>965,106,814.84</u>	<u>769,297,641.97</u>	<u>-195,809,172.87</u>
Deposits in			
Federal Reserve banks			
Available funds	1,073,689,847.94	1,257,904,709.32	184,214,861.38
In process of collection	351,535,486.85	393,210,787.61	41,675,300.76
Special depositories, Treasury tax and loan accounts	4,113,454,028.48	4,524,840,150.88	411,386,122.40
National and other bank depositories	154,698,538.71	134,058,155.83	-20,640,382.88
Foreign depositories	<u>35,577,405.40</u>	<u>24,226,574.47</u>	<u>-11,350,830.93</u>
Subtotal	<u>5,728,955,307.38</u>	<u>6,334,240,378.11</u>	<u>605,285,070.73</u>
Total assets, clearance basis	<u>6,694,062,122.22</u>	<u>7,103,538,020.08</u>	<u>409,475,897.86</u>
Net transactions in transit as of June 30, increase or decrease(-)	<u>90,630,716.99</u>	<u>440,870,370.04</u>	<u>350,239,653.05</u>
General account balance, final basis	<u>\$ 6,784,692,839.21</u>	<u>\$ 7,544,408,390.12</u>	<u>\$759,715,550.91</u>

Notes A-D on page 15 are an integral part of this statement

STATEMENT OF FOREIGN CURRENCIES

HELD FOR THE TREASURER OF THE UNITED STATES

AT JUNE 30, 1968 AND 1969

Name and location of depository	June 30, 1968	
	<u>Foreign currency</u>	Approximate dollar amount (note 1)
Bank Negara Indo- nesia Djakarta, Indone- sia	110,510.63 rupiahs	\$ 324.08
State Bank of Pakistan Karachi, Pakistan Account No. 1	10,214,776.31 rupees	2,121,448.87
State Bank of Pakistan Karachi, Pakistan Account No. 2	45,926.55 rupees	<u>9,538.22</u>
Total		<u>\$2,131,311.17</u>

<sup>1</sup>Converted at market rate of exchange at June 30, 1968, and June 30, 1969, respectively, the rate available to the United States for exchanging dollars for foreign currencies for official disbursements.

<u>June 30, 1969</u>	
<u>Foreign currency</u>	Approximate dollar amount (note 1)
110,510.63 rupiahs	\$ 287.04
10,214,776.31 rupees	2,121,448.87
45,926.55 ruppes	<u>9,538.22</u>
	<u>\$2,131,274.13</u>

SCHEDULE 3

COMPARATIVE STATEMENT OF SECURITIES  
HELD BY THE TREASURER OF THE UNITED STATES  
FOR VARIOUS PURPOSES

AT JUNE 30, 1968 AND 1969

	<u>June 30, 1968</u>	<u>June 30, 1969</u>
	[See GAO note E.]	
<b>AS COLLATERAL:</b>		
To secure deposits of public moneys in depository banks	\$ 42,439,600	\$ 40,653,200
In lieu of sureties	4,622,000	2,345,500
<b>IN CUSTODY FOR GOVERNMENT OFFICERS AND OTHERS.</b>		
For the Secretary of the Treasury	33,173,227,275	34,643,999,656
For the Comptroller of the Currency	10,015,000	10,452,500
For the Federal Deposit Insurance Corporation	245,000,000	245,000,000
For the Rural Electrification Administration	162,733,373	159,748,818
For the District of Columbia	169,955,879	251,259,879
For the Commissioner of Indian Affairs	53,245,650	47,363,325
Foreign Obligations (note 1)	12,040,894,451	12,036,695,451
Other (note 2)	49,087,296	44,290,017
<b>FOR GOVERNMENT SECURITY TRANSACTIONS:</b>		
Unissued bearer securities	<u>4,190,314,800</u>	<u>1,652,192,800</u>
Total [See GAO note F,]	<u>\$50,141,535,324</u>	<u>\$49,134,001,146</u>

<sup>1</sup>Issued by foreign governments to the United States for indebtedness arising from World War I.

<sup>2</sup>Includes U.S. savings bonds in safekeeping for individuals.

Notes E and F on page 15 are an integral part of this statement.

GENERAL ACCOUNTING OFFICE

NOTES TO FINANCIAL STATEMENTS

- A. The balances in the account of the Treasurer at June 30, 1968 and 1969, are stated as published in the annual report of the Secretary of the Treasury on the state of the finances for fiscal year 1969.
- B. Pursuant to Public Law 90-269, on March 19, 1968, the liability account, "Redemption fund--Federal Reserve notes" was combined with "Gold certificate fund--Board of Governors, Federal Reserve System." Also the liability account "Reserve against U.S. notes outstanding" was closed March 19, 1968, by adding an equal amount of U.S. notes to the public debt.
- C. The separate silver section of the account of the Treasurer has been eliminated because, after June 24, 1968, silver certificates are no longer redeemable in silver (31 U.S.C. 405a-3). Silver certificates in the amount of \$246,035,168, which remained outstanding, at the close of business June 24, 1968, were added to the public debt. Silver valued at \$213,333,333.18 (165 million fine troy ounces valued at \$1.29+ per ounce) was transferred to stockpiles established pursuant to the Strategic and Critical Materials Stock Piling Act on June 25, 1968 (31 U.S.C. 405a-1).
- D. The account "Coinage metal; Other" included silver alloy valued at approximately \$16.5 million and \$14.4 million at June 30, 1968 and 1969, respectively. The majority of this alloy is used for the manufacture of half-dollars.
- E. The amounts shown for securities held by the Treasurer are stated at face value or assigned value, and they do not necessarily represent or bear any relationship to the current value of the securities.
- F. In addition to securities the Treasurer held reserve stock of unissued paper currency having a face value of \$2,620,669,995 and \$2,631,073,600 at June 30, 1968 and 1969, respectively.